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## Colombia

## Coffee

## Annual

## 2004

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**Report Highlights:**

Colombian coffee production is estimated to fall slightly to 11.3 million (60 kilogram) bags in the 2003/2004 marketing year due to excess rainfall during the flowering stage. Production is forecast to grow to 11.6 million in 2004/2005. The GOC increased the minimum guaranteed price paid to growers to 320.000 pesos (\$118.16) per 125 Kg bag. Carryover is expected to fall to around 1.2 million bags for the next two years. The Colombian Government continues lobbying for the U.S. to join ICO.

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[CO]

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**Executive Summary**

Colombian coffee production is expected to decline to 11.3 million bags in marketing year 2003/04 from 11.7 million bags in 2002/2003. This lower production will last up to August 2004 and is due to bad weather conditions during the flowering stage. Post forecasts a return to normal production levels in 2004/05. Based on data from Fedecafe, Post has increased the estimate of beginning stocks for 2003/04 by 200,000 bags (largely reflecting a lower estimate of domestic consumption). The Colombian government increased the minimum guaranteed price paid to growers from 310,000 pesos to 320,000 pesos on April 28. Although the market price is currently well above this price (360,000 pesos), the higher price is important politically. The Colombian Government and the Coffee Growers Federation hope the U.S. will join to International Coffee Organization.

**Production**

Production is expected to fall slightly this year, due to dry weather during the flowering period, and then return to a more normal production level of 11.6 million bags in 2004/2005. Reportedly, production reached 7.0 million bags during the first seven months of the marketing year (October 2003 – April 2004), which was 76,000 thousand bags below the same period a year before. The output started declining in April and the lower production level will continue for the following four to five months. Production for the next marketing year will increase since the weather during the first months of 2004 returned to a more normal pattern. Over the longer run, production under normal weather conditions is expected to be between 11.0 and 12.0 million bags.

Marginal production areas are leaving coffee production and the more traditional coffee producing areas are expected to intensify production under the tree renewal program. The total area planted is expected to continue to fall mainly in marginal production areas that have old plants of low quality and production. These marginal areas for coffee production are located mainly in the lower altitudes of the coffee farms.

The coffee renovation program ended in 2003 after covering 340,000 hectares (approximately half the current harvested area). The program received five years of continuous support from the Coffee Growers Federation (FEDECAFE). FEDECAFE started supporting renovation plant through distributing fertilizers to growers in such a way to assure improving quality.

The coffee renovation program was only conducted and supported for the main coffee areas (located between 1,500 meters and 1,800 meters). Growers in these areas increased the density planted, which is currently calculated at 5,700 trees per hectare, up from 4,800 trees per hectare previously. Coffee plantations now have an average age of 5.5 years, down from the 7.5 years before the renovation program.

The government has provided direct payments to growers since 2001 of up to 30,000 pesos per 125 kilograms bag when the local price falls below 300,000 pesos. The government has been cutting the amount of the payment due to higher world prices (and budget constraints), and the program was temporarily stopped on February 28, 2004 when international prices were close to 80 cents. The rising value of the peso and higher production costs have, however, partially offset the impact of the higher international price and the Government re-instituted the support program on April 28, 2004. The GOC will pay 10,000 pesos (\$3.69) per 125 kg bag when the price paid to growers falls below 320,000 pesos. The amount approved for the 2004 program is 45,000 million pesos (\$16.6 million).

**Consumption**

Local coffee consumption is considered low when compared with other producing countries. A strong campaign to promote coffee consumption was conducted last year along with a 10 percent price discount for soluble branded coffee. The preliminary findings show a low response from consumers to the lower price and Fedecafe has reduced its estimate of domestic consumption to reflect this.

The National Growers Federation opened new "Juan Valdez" branded stores in 2003 to take advantage of the brand name. The purpose of these stores is mainly to give consumers the opportunity of tasting 100 percent Colombian coffee, as a part of marketing higher quality Colombian coffee. The Federation is also promoting domestic consumption of the soluble coffee brand "Buendia". This brand is manufactured by the National Growers Federation (FEDECAFE) and was previously sold only to external markets.

**Trade**

Colombia's coffee is mainly produced for the export market. 84 percent of coffee exports were green coffee beans, while the remaining exports were roasted and soluble coffee. Colombia is expected to export 10.4 million bags in the commercial 2003/2004 year (78,000 bags below a year before).

In 2002/03, the producer organization Fedecafe accounted for about 24 percent of all Colombian coffee exports, with the remainder handled by private exporters. Coffee exports earned \$907 million in 2002/03 year, five percent above a year earlier because of the increase in international prices. Thirty-five percent of all coffee exports went to the U.S. market in 2003. Germany and Japan were the second and third market for Colombian coffee, with market shares of 16 percent and 13.5 percent respectively. Although the relative importance of coffee in total Colombian exports is falling, coffee continues to be extremely important for generating employment and welfare in the coffee region.

Small coffee exporters are focusing on the market for high quality coffee in the US and Europe due to the high price premium for these coffees. Coffee sold in this category is not, however, a significant amount of the total coffee exported.

**Stocks**

Colombia's coffee stocks have fallen steadily since their peak in the mid-1980's, when they reached about 9 million bags. The Coffee Producers Federation (Fedecafe) has, however, increased its estimate of carryover stocks at the beginning of 2003/04 to 1.4 million bags from an initial estimate of 1.2 million bags. The higher carryover is due to lower domestic consumption than expected. Stocks are expected to fall to 1.2 million bags over the longer run and stay at that level since production of export quality coffee is projected to grow at the same pace as exports.

**Policy**

Colombia is pushing for the U.S. to join the International Coffee Organization (ICO). Colombian coffee representatives and leaders generally accept that the ICO will not be able to return to the previous system of international quotas, but they do hope that having the U.S. in the organization will help in marketing coffee, establishing minimum standards and improve the international rules covering coffee trade. Colombia is also working with the Association of Coffee Producing Countries (ACPC) to reduce the supply of lower quality

coffee. While some low quality coffee has been removed from the market, this has not had a significant impact on prices.

The coffee sector is considered to be strategic for Colombia due to the large number of families that depend on coffee production (an estimated 500,000 families). The Colombian Government currently provides supplemental payments when the price paid to growers falls below 320,000 pesos (\$118.20) per 125-kg bag. The payment is not currently paid due to relatively high international coffee prices (producer prices are around 360,000 pesos).

Coffee exporters pay a compulsory check-off for each pound of coffee exported of 5 cents (135.4 pesos). This payment is shared between FEDECAFE (3 cents), which invests the funds in programs such as scientific research through CENICAFE (the center for research on coffee) and educational, social and infrastructure programs. The remaining 2 cents are given to the National Coffee Fund (FNC). The FNC is managed by FEDECAFE with the goal of stabilizing prices paid to producers and to support programs such as the plant renovation program.

### **Prices**

During 2003 and so far in 2004, the international price for Colombian coffee has on average remained over 67 cents, which includes a quality premium of 3 cents. The higher international price has resulted in higher prices paid to producers. Currently, the prices paid to growers in some cases exceed the international price due to lower production and the need for exporters to cover commitments in the future market. The appreciation of peso during the first months of 2004 has partially offset the gains in international prices.

## Tables

## Colombia: Green Coffee Supply and Demand 2002/03 – 2004/05

Colombia							
Coffee							
(1000 HA) (MILLION TREES ) (1000 60 KG BAGS)							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2002		10/2003		10/2004	MM/YYYY
Area Planted	775	775	760	770	0	765	(1000 HA)
Area Harvested	630	630	620	630	0	630	(1000 HA)
Bearing Trees	2850	2850	2800	2800	0	2800	(MILLION TREES)
Non-Bearing Trees	1030	1030	1030	1030	0	1030	(MILLION TREES)
TOTAL Tree Population	3880	3880	3830	3830	0	3830	(MILLION TREES)
Beginning Stocks	1393	1393	1207	1437	1072	1192	(1000 60 KG BAGS)
Arabica Production	11712	11712	11800	11300	0	11600	(1000 60 KG BAGS)
Robusta Production	0	0	0	0	0	0	(1000 60 KG BAGS)
Other Production	0	0	0	0	0	0	(1000 60 KG BAGS)
TOTAL Production	11712	11712	11800	11300	0	11600	(1000 60 KG BAGS)
Bean Imports	0	0	0	0	0	0	(1000 60 KG BAGS)
Roast & Ground Imports	70	70	80	50	0	55	(1000 60 KG BAGS)
Soluble Imports	0	0	0	0	0	0	(1000 60 KG BAGS)
TOTAL Imports	70	70	80	50	0	55	(1000 60 KG BAGS)
TOTAL SUPPLY	13175	13175	13087	12787	1072	12847	(1000 60 KG BAGS)
Bean Exports	9808	9808	9820	9670	0	9720	(1000 60 KG BAGS)
Roast & Ground Exports	120	120	130	120	0	120	(1000 60 KG BAGS)
Soluble Exports	550	550	560	550	0	550	(1000 60 KG BAGS)
TOTAL Exports	10478	10478	10510	10340	0	10390	(1000 60 KG BAGS)
Rst,Ground Dom. Consum	1240	1010	1250	1000	0	1000	(1000 60 KG BAGS)
Soluble Dom. Consum.	250	250	255	255	0	260	(1000 60 KG BAGS)
TOTAL Dom. Consumption	1490	1260	1505	1255	0	1260	(1000 60 KG BAGS)
Ending Stocks	1207	1437	1072	1192	0	1197	(1000 60 KG BAGS)
TOTAL DISTRIBUTION	13175	13175	13087	12787	0	12847	(1000 60 KG BAGS)

## Colombia: Green Coffee Price to Growers CY 2003 – 2004

Prices Table			
Colombia			
Coffee, Green			
Col Pesos and 60 Kg Bag			
Year	2003	2004	% Change
Jan	287	305	6%
Feb	328	341	4%
Mar	319	334	5%
Apr	299	343	15%
May	313		- 100%
Jun	314		- 100%
Jul	290		- 100%
Aug	318		- 100%
Sep	300		- 100%
Oct	308		- 100%
Nov	296		- 100%
Dec	299		- 100%
Exchange Rate	2708	Local Currency/U S \$	
Date of Quote	4/10/2004	MM/DD/YYYY	

## Colombia: Green Coffee Exports CY 2003

Exports			
Colombia			
Coffee, Green			
(,000) 60 Kg Bags			
Time Period	Jan -Dec		
Exports for:	2003		2004
U.S.	3639	U.S.	
Others		Others	
Germany	1653		
Japan	1405		
Belgium	536		
Canada	516		
United Kingdom	298		
Netherlands	265		
Italy	256		
Spain	252		
Sweden	248		
France	194		
Total for Others	5623		0
Others not Listed	1069		
Grand Total	10331		0